

RTO filing announced

Win the next step in a very complex and lengthy process, electricity industry restructuring moved forward earlier this month when filings outlining plans to participate in Regional Transmission Organizations were due to the Federal Energy Regulatory Commission.

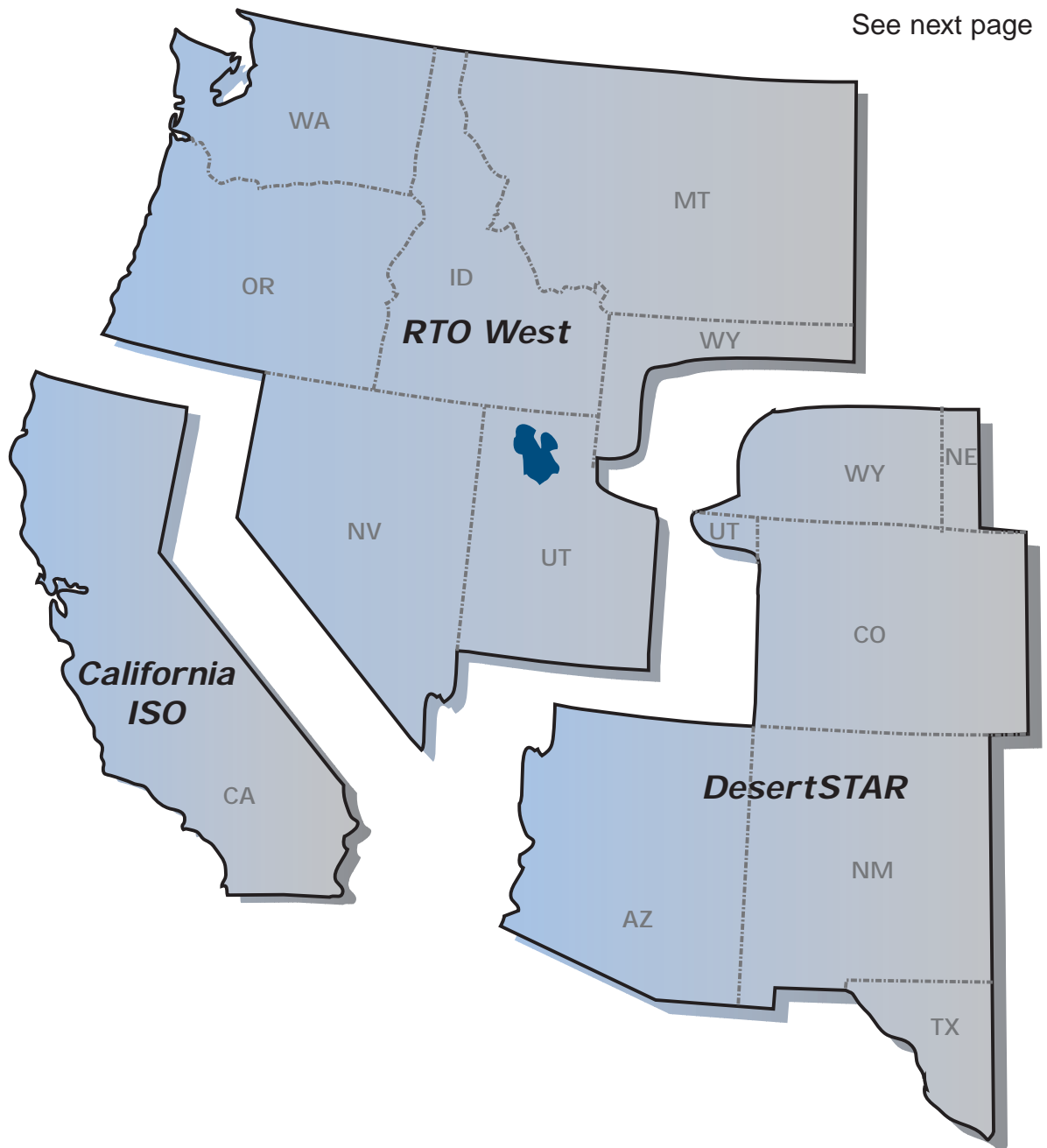
Western filed a description of its efforts to participate in RTOs on Oct. 16, following FERC Order No. 2000. Although Western is not subject to FERC jurisdiction, it has always advocated open transmission access and sub-

mitted the filing voluntarily.

Western Power Marketing Advisor **Bob Fullerton** said, "RTOs place control of transmission facilities in a geographic area under a common operator. The operator conducts the transmission business independently of the transmission line owner, and independent from the buying and selling of power in the electricity marketplace."

Western supports the development of RTOs, and has been active in plans to form several RTOs throughout its service territory:

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the California Independent System Operator, the Desert STAR RTO, RTO West, the Mid-Continent Area Power Pool RTO and the Crescent Moon Regional Transmission Entity. "We have also involved our customers in resolving RTO issues through numerous customer meetings, joint discussion of principles and by encouraging direct participation of customers in RTO formation processes," Fullerton said.

Due to the unique status of Western and the generating agencies as Federal agencies, and as stewards of multipurpose water and power projects, a number of legal issues must be addressed before full membership in an RTO can occur.

Here's a summary of our efforts in this arena:

CAISO

Western's Sierra Nevada Region has been coordinating operations with the CAISO since its inception and has taken an active role in CAISO issues. "We participated in the stakeholder process held before its formation, and have continued to participate in many CAISO-related processes and associated FERC filings since the CAISO was formed," said SN Project Manager **Ed Chang**. During the week of June 12, Western and Reclamation supported CAISO by analyzing generation schedules to achieve maximum unit capability during high-

loads. On Sept. 18, Western and Reclamation ramped up generation at Glen Canyon Dam to provide 330-MW to CAISO, avoiding a Stage 3 emergency condition of rotating blackouts in California. (See related story on p. 6.)

In addition, Western, the city of Redding and CAISO developed a method to provide real-time energy to CAISO. Redding agreed to provide excess generation from its own units on a real-time basis to CAISO during Stage 2 emergencies, which occur when operating reserves are less than 5 percent.

SN observed 18 CAISO "no touch" days in 1999 and 38 "no touch" days through Sept. 20 of this year, without any assurance of compensation. No touch days require postponement of needed maintenance, threatening the reliability of the Federal power and transmission system. SN also provides

CAISO with a 14-month advance maintenance outage schedule along with quarterly updates. CAISO uses it to coordinate major system component outages to help increase reliability of the power grid.

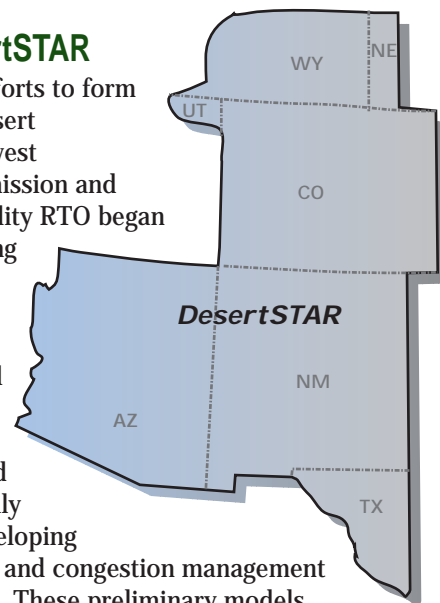
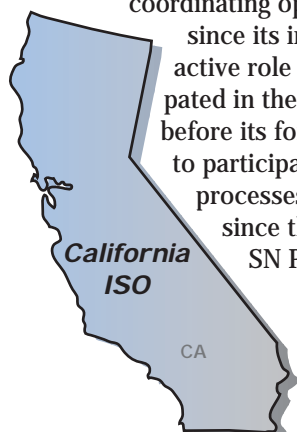
Western is an ISO-certified scheduling coordinator, submitting balanced load and resource schedules to CAISO. We also helped develop maintenance standards for transmission and substation facilities under CAISO's operational control. Most recently, Western has actively participated in CAISO congestion management, maintenance and market development issues.

DesertSTAR

Efforts to form the Desert Southwest Transmission and Reliability RTO began in spring 1997. Stage I ended in April 1999 and focused primarily on developing pricing and congestion management models. These preliminary models indicated that additional efforts to form an RTO in the Southwest were warranted.

DesertSTAR was incorporated on Sept. 21, 1999. Western's Desert Southwest Customer Service Region, Colorado River Storage Project Management Center and Rocky Mountain Customer Service Region became members. The DesertSTAR RTO was initially formed by potential participants in Arizona, New Mexico and part of Texas. The scope has expanded to include the Rocky Mountain RTO, which includes Wyoming, Colorado and parts of Nebraska, Utah and Montana.

Members and potential members of DesertSTAR have devoted significant financial and staff resources to the stakeholder process since 1998. Working out the details and striving to reach consensus on many very complex issues such as pricing, congestion management and existing contracts has been extremely difficult given the diverse set



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of stakeholders.

Potential participating transmission owners include investor-owned utilities, along with municipalities, cooperatives and Western. "Because of Western's extensive transmission system in the proposed DesertSTAR service area, an RTO without Western could not be established over a contiguous area," said RM Restructuring Project Manager **Jane Meyer**. DesertSTAR has openly included the Federal agencies as participants and appears receptive to accommodating the unique provisions required by Western and Reclamation.

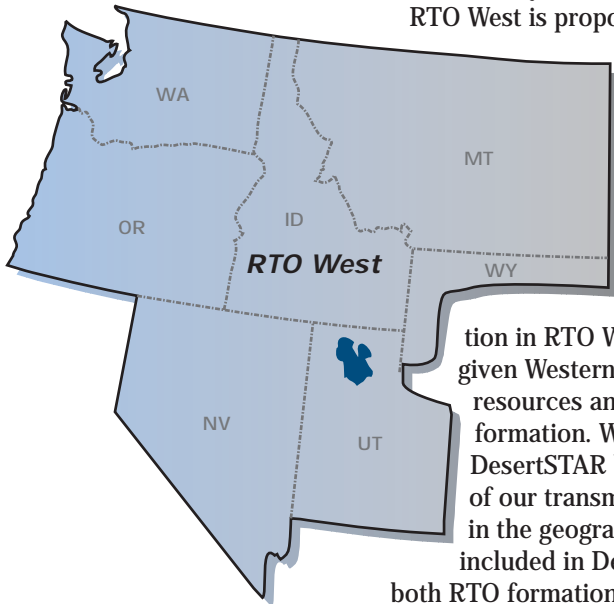
RTO West

Formerly known as the Northwest RTO, RTO West is proposed for entities in

Washington, Oregon, Idaho, Nevada, Utah, Western Wyoming, Western Montana and potentially the Canadian provinces of British Columbia and Alberta.

Western's participation in RTO West has been limited given Western's decision to devote its resources and efforts to DesertSTAR formation. Western is focusing on DesertSTAR because the vast majority of our transmission assets are located in the geographic area proposed to be included in DesertSTAR. Additionally, both RTO formation efforts were proceeding simultaneously with very intense schedules and aggressive timetables that precluded Western from effectively participating in both.

"Western is monitoring the RTO West formation effort and working through and in concert with our Utah customers and Bonneville Power Administration to ensure our interests are met and that we would not be precluded from joining RTO West in the future," said CRSP MC Transmission Manager, **Ron Moulton**.



MAPP RTO

Western was an original signatory to the Mid-Continent Area Power Pool agreement about 30 years ago. Since then, Western has been very active on its committees and involved in its design and reformation. "We served on the working group developing the changes to MAPP's transmission agreement," said UGP Power Marketing Manager **Bob Harris**.

UGP was extensively involved in MAPP's initial efforts to form an ISO. The draft amendments were completed in summer 1998 and brought to a vote of the membership. Although UGP voted in the affirmative, the proposal failed.

After the ISO proposal failed and FERC Order No. 2000 was published, MAPP's Executive Committee, through a strategic planning process, proposed that two options be developed concurrently. The first was an initiative to merge MAPP with the Midwest Independent System Operator to form an RTO that would broaden the regional planning concept that MAPP has fostered.

The second was to form a MAPP RTO. Western had representation on both the working group and the merger negotiating committee. **Bob Riehl**, UGP rates manager, has been working with both MAPP and MISO.

Several utilities from MAPP have recently formed a study group to consider an alternative known as Crescent Moon Regional Transmission Entity. Its basic premise is to use a postage stamp transmission rate, or a rate that is good throughout the nation, and a revenue sharing agreement to mitigate cost shifting. UGP is involved in these efforts as well.

"There are many details to be worked out before electricity industry restructuring is complete. According to AT&T, it took telecommunications about 10 years to deregulate, and the issues weren't nearly as complex as those being dealt with here," Fullerton added.